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RR RUEHAST  
DE RUEHVB #1187 2721046  
ZNR UUUUU ZZH  
R 291046Z SEP 06  
FM AMEMBASSY ZAGREB  
TO RUEHC/SECSTATE WASHDC 6722  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS ZAGREB 001187

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E.O. 12958: N/A  
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SUBJECT: TEXTILES AND APPAREL SECTOR: CROATIA

REF: STATE 138090

¶1. In response to reftel, the following are the main sector data for the Croatian textiles and apparel industry and a description of the Croatian stance on imports from China. All data are for 2005, unless otherwise noted.

- Total industrial production: \$7.66 billion
- Total textile production: n/a for 2005; \$940 million for 2004
- Textile/apparel share of Croatian imports: 4.6 percent
- Textile/apparel share of Croatian exports: 7.6 percent
- Exports in textiles and apparel to the US: \$3.24 million
- Total manufacturing employment: 239,276
- Total textiles and total apparel employment: 31,417

¶2. According to the Croatian Chamber of Commerce, Croatian manufacturers had to reduce prices up to 50 percent due to international competition. On average, manufacturers have had the same number of orders in recent years, with seasonal fluctuations and fluctuations according to design and fabric. There are no Asian investors among foreign investors in the Croatian textile sector. The following are the three largest investors: Benetton (Italy), Calzedonia (Italy), and Boxmark (Austria). There have been incidents of company closures and investors pulling out of local production and, due to increasing competition, more are expected.

¶3. EU measures restricting imports of textiles and apparel from China have helped Croatian manufacturers. But Croatia itself has not implemented any restrictions on imports from China.

¶4. Croatia's textile industry has been under severe pressure because of dislocations resulting from transition to market economy as well as growing role of Chinese production. Employment in the textile sector has been decreasing for several years.

¶5. In an effort to improve the situation, the GoC offers incentives through the Ministry of Economy, non-repayable financial support for worker training and for environmental protection. While the volume of textile manufacturing is decreasing overall, some Croatian companies are attempting to find a niche in design by producing goods with higher added value.

¶6. Free trade agreements between Croatia and other countries have helped Croatia, but have not been enough to create new export opportunities for the textile

industry.

¶17. Like with many sectors of the Croatian economy, the textile industry is lagging behind foreign competition. Companies need to make substantial investments in manufacturing technology and equipment to survive in the near-term. However, the industry's long-term prospects are uncertain.

Bradtke